GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

UNSTARRED QUESTION NO:4194
ANSWERED ON:10.04.2003
EXCESS HOLDING OF FINISHED STOCK
VSM (RETD.) COL. CHOUDHARY

Will the Minister of DEFENCE be pleased to state:

(a) whether the Government have taken note of excessive holding of finished stock by Ordnance Factories resulting huge loss to the exchequer;

(b) whether finished component holding has gone up from 303.83 crore during 1996-97 to Rs. 519.63 crores during 2000-2001 registering an increase of 71.03 percent;

(c) whether Comptroller and Auditor General of India has made a mention in paragraph 46.3.7.6 of its report on Defence Services, Army and Ordnance Factories No. 7 of 2001 about holding of finished components work Rs. 4.24 crores by Rifle Factory Ishapur out of which components worth Rs. 1.34 crores had already become obsolete;

(d) whether the CAG has recommended to review the position of finished components holding in various Ordnance Factories in order to take quick action for disposal of obsolete items;

(e) if so, the action taken by the Government for disposal of obsolete finished components indicating quantity disposed off and its value; and

(f) the balance obsolete stock of finished components held with Ordnance factories as on date?

Answer

MINISTER OF DEFENCE (SHRI GEORGE FERNANDES)

(a) Yes, Sir. The inventory of finished goods held by ordnance factories is monitored regularly.

(b) Yes, Sir. However, since the value of issues has gone up substantially, from Rs. 2597 crores in 1996-97 to Rs. 5536 crores in 2000-2001, the inventory of finished component, as a percentage of the value of issues, has actually come down from 11.7 percent in 1996-97 to 9.39 percent in 2000-2001.

(c) Yes, Sir.

(d) Yes, Sir.

(e) The Ordnance Factory Board has developed a system for monitoring its inventoryholding levels in the factories and has taken steps to dispose off surplus stores. Since there is no separate categorization of stores as `Obsolete Finished Components`, the exact value of such components disposed off cannot be indicated. The Ordnance Factory Board has also constituteda committee in January 2003 to review the status of inventory and to suggest measures to reduce the level of slow and non-moving inventories.

(f) According to the stores accounting procedure of ordnance factories, stores are categorized as (a) Active Stores (b) Slow-moving (c) Non-moving (d) Maintenance & Spares (e) Waste & Scrap.There is no separate category of `Obsolete Finished Components` so as to indicate its current inventory level separately. In the case of the Rifle Factory Ishapur, a special study was done for determining the stock of obsolete finished goods in the context of phasing out of DBBL (Double Barrel Breech Loading) gun.